

February 13, 1998

MEMORANDUM TO: Distribution

FROM: Michael J. Rubino, Associate Director
 Acquisition Services Branch

SUBJECT: Policy Memorandum No. 98-004, Appraisal
 Contracting Procedures

1. Purpose. The purpose of this Policy Memorandum is to modify the Acquisition Policy Manual (APM) to identify the respective roles and responsibilities for preparing Requirements Packages for appraisal services and conducting the appraisal contracting process. The contracting process shall be conducted in accordance with the procedures outlined in the APM.
2. Scope. This Policy Memorandum is applicable to all Contracting Officers and Acquisition Services Branch (ASB) personnel and Account Officers and Appraisal Review staff in the Division of Resolutions and Receiverships (DRR) that are involved in contracting for appraisal services.
3. Background.
 - a. Definition. An appraisal is an opinion or estimate of the value of an asset. Appraisals are provided by trained/certified professionals for a variety of asset types including, but not limited to, single family residences, commercial properties, vacant land, multi-family properties, unique/single purpose assets and performing and non-performing loan collateral (i.e., the value of the real estate securing the loan).
 - b. Use. Appraisals represent an important and critical aspect of DRR's overall asset management and disposition mission and are relied upon as the basis for, or to assist in, many different business decisions. These include analyzing offers to purchase assets, establishing reserve prices or foreclosure bids, preparing real estate budgets, and developing strategies for disposing of non-performing loans. In addition, the appraisal process may identify other issues such as environmental or health hazards, delinquent property taxes, excessive property tax assessments or necessary maintenance and repairs. (See DRR's Asset Disposition Manual, Chapter X, Other Disposition Policies and Procedures – Real Estate Appraisals).

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4. Objective. The procedures stated in this Policy Memorandum are designed to establish a streamlined, efficient and consistent approach to procuring high quality appraisals in a timely manner. They focus on appraisals for single family residences, vacant land, and commercial properties (e.g., multi-family residences) and also address unique/unusual properties including but not limited to, mortuaries, golf courses, and time-shares.
5. Contracting Policy. The appraisal contracting process shall be based upon the most efficient and appropriate procurement strategy considering asset type, quantity and geographic and market location. A direct award process shall be used for awards of \$2,500 or less whereby only one firm is solicited. A competitive process, whereby at least three (3) firms are solicited, shall be used for awards greater than \$2,500, but less than or equal to \$100,000. If the appraisal requirement is greater than \$100,000, at least five (5) firms shall be solicited.

When appropriate, the Contracting Officer shall pool similar asset types in the same geographic location and market to take advantage of volume price discounts (See paragraph 8.c.).

6. Roles and Responsibilities. The appraisal contracting process involves the active communication and coordinated effort among Account Officers and Appraisal Review in DRR and Contracting Officers in ASB. The general roles and responsibilities for the Contracting Officer and the Account Officer (as the primary Program Office Representative) are stated in APM 1.D.2.b. and 1.D.2.c. respectively. In addition, specific responsibilities germane to appraisal contracting, including the role of Appraisal Review, are specified below.
 - a. Account Officers, DRR. In addition to the requirements stated in APM 1.D.2.c., the Account Officer, as the primary Program Office representative, is responsible for:
 - (1) assembling complete and up-to-date asset information and providing it to the Contracting Officer in the Requirements Package;
 - (2) completing the Appraisal Services Information Form (see paragraph 7.b.) for each required appraisal and providing it to the Contracting Officer in the Requirements Package;
 - (3) ensuring an internal quality review of the Requirements Package is conducted (i.e., that the Requirements Package has approved expenditure authority and includes all documentation required by this Chapter) prior to forwarding to the Contracting Officer;
 - (4) obtaining written input from Appraisal Review on unique and unusual assets prior to providing the Requirements Package to the Contracting Officer;

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- (5) addressing feedback and written reports from the Contracting Officer regarding quality and status of Requirements Packages;
 - (6) performing contractor oversight including monitoring performance, reviewing and approving/rejecting appraisals and invoices;
 - (7) notifying the Property Manager/debtor and coordinating property access for the appraiser for owned-real estate or loan collateral; and
 - (8) assisting with coordination and resolution of problems encountered by the appraiser with a debtor on loan collateral appraisals.
- b. Appraisal Review, DRR. The Appraisal Review Group is responsible for:
- (1) reviewing the Account Officer's Statement of Work (SOW) for properties with unique or unusual attributes;
 - (2) providing additional SOW language to address the appraisal requirements for unique or unusual types of assets/properties;
 - (3) assisting in the identification of potential sources for solicitation purposes;
 - (4) acting as technical advisor to the Account Officer and Contracting Officer on any issues that relate to the valuation of the assets, when requested, including unique/unusual assets; and
 - (5) assisting the Account Officer with approving/rejecting the appraisal, when requested.
- c. Contracting Officer, ASB. In addition to the general requirements stated in APM 1.D.2.b., the Contracting Officer is responsible for:
- (1) reviewing the Requirements Package on a timely basis, including the Appraisal Services Information Form, identifying any missing information, and notifying the Account Officer as soon as possible of any deficiencies;
 - (2) completing the appraisal SOW based upon the DRR-completed Appraisal Services Information Form;
 - (3) selecting an appropriate procurement strategy that ensures timely delivery of appraisals;

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- (4) identifying potential sources for solicitation for the requirement;
- (5) conducting the solicitation, evaluation and award process in accordance with procedures stated herein and in APM 5;
- (6) providing prompt feedback to DRR managers as significant/recurring problems with Requirements Packages are encountered as well as general status reports; and
- (7) conducting contract administration in accordance with the procedures stated herein and in APM 7.

7. Preparation of Appraisal Requirements Packages.

- a. General. As stated in paragraph 6.a. above, the Account Officer is responsible for preparing a current and up-to-date Requirements Package for all appraisals and delivering it to the Contracting Officer. The general contents for a Requirements Package for appraisal services are stated below and shall include:
 - (1) Procurement Requisition with Expenditure Approval from the appropriate delegated official;
 - (2) Appraisal Services Information Form (see paragraph 7.b. below for a complete description);
 - (3) Special requirements or asset descriptions for unique and/or unusual assets;
 - (4) Technical evaluation criteria, if necessary;
 - (5) Special instructions for the SOW and additional technical skills required, if necessary;
 - (6) Suggested sources of appraisers; and
 - (7) Other documentation for assets having or suspected of having unique or unusual characteristics (see paragraph 7.c.).

- b. Appraisal Services Information Form. As referenced in paragraph 7.a. above, all Requirements Packages shall contain a fully completed and signed Appraisal Services Information Form for each required appraisal. The Form shall be signed by the Account Officer and requires the Account Officer to identify and provide the information necessary so that the Contracting Officer may proceed with the solicitation process. When properly completed, the Contracting Officer shall be able to create the solicitation package and proceed expeditiously with the award of the appraisal contract. The form is provided as APM Exhibit XXVIII (Attached).
- c. Assets Having Unique/Unusual Characteristics. For the majority of appraisal requirements, the information required in paragraph 7.a. and b. will be sufficient to conduct the contracting process. However, for properties with unique or unusual characteristics, the Account Officer shall forward a completed Appraisal Services Information Form and SOW to the Appraisal Review Group for input. Examples of properties that should be reviewed by the Appraisal Review Group include but are not limited to:
 - (1) Leasehold interests with complex ownership/leasehold agreements;
 - (2) Properties environmentally impacted or suspected of having environmental problems; and
 - (3) Properties that are unique/unusual including mortuaries, Planned Unit Developments (with memberships, common areas, restrictive covenants), golf courses/country clubs that are part of a residential community with homeowner rights, time-share properties, unusual single family (1-4) residences, hotels, restaurants and unique single purpose commercial properties.

For properties such as those identified above, it is the Account Officer's responsibility to ensure that the SOW adequately addresses the unique/unusual characteristics of the property and to obtain Appraisal Review's input and additions to the SOW prior to forwarding it to the Contracting Officer. This will ensure that any issues involving the unique characteristics of the asset and its subsequent valuation are addressed early in the process to avoid delays and assure the potential final acceptability of the appraisal.

In addition, some environmental problems may be too complex for the appraiser to factor into the asset's valuation. In such instances, the appraiser will be required to appraise the property without factoring the environmental condition into the property's appraised value and so qualify the appraisal. However, for all properties with known environmental problems, the problems must be disclosed to the appraiser in the solicitation package.

8. Appraisal Contracting Process.

- a. Review of Requirements Package. Once a Requirements Package is provided to ASB, the Contracting Officer shall review it in a timely manner and identify any missing information to the Account Officer. If the Package, including the Appraisal Services Information Form, is complete, the Contracting Officer shall select and conduct the most efficient and appropriate procurement process for the identified asset(s).

As stated in paragraph 5, the appraisal contracting process shall be based upon the most efficient and appropriate procurement strategy considering asset type, quantity and geographic location. A direct award process may be used for awards \$2,500 or less and a competitive process shall be used for awards greater than \$2,500.

- b. Solicitations for Single Asset Appraisals. APM 5.D.1.b. provides authority for a direct award process where the Contracting Officer solicits only one firm for awards of \$2,500 or less. Whenever possible, the Contracting Officer will use this authority to solicit a single source to provide timely delivery of appraisals. All appraisal awards greater than \$2,500 shall be solicited using a competitive process.
- c. Solicitations for Pooled Asset Appraisals. When appropriate, the Contracting Officer shall pool similar asset types in the same geographic location and market to take advantage of volume discounts. The Contracting Officer must consider the timeliness of performance in all pooling decisions. The appropriate procurement strategy shall be determined based on the total value of the appraisal contract considering the cumulative dollar amount of the pooled assets. The Contracting Officer shall use the direct award process for pooled assets with a cumulative contract value of \$2,500 or less.
- d. Solicitation List. The Contracting Officer is responsible for creating the solicitation list for appraisal requirements. It should contain only those firms that meet the minimum requirements stated in paragraph 9.a. Prospective sources may be obtained from the Account Officer, Appraisal Review Group, the National Contractor System (NCS), the Appraisal Institute Directory, the Office of Diversity and Economic Opportunity or any other appropriate source.
- d. Screening Appraisers. Prior to issuing a request for quotation, the Contracting Officer should conduct a telephonic market search of the prospective offerors. The purpose of this search is to screen the appraisers prior to solicitation to determine if they have the capacity to perform the requirement. Only appraisers that identify the

capacity to perform the appraisal requirement should be contacted for a verbal quote or sent the RFQ. The Contracting Officer shall document the results of the screening process in the Contract File, clearly identifying the offerors to be solicited for a given requirement.

- f. Solicitation Method and Documentation. The Contracting Officer shall conduct the solicitation process using simplified procurement procedures stated in APM 5. This includes using written RFQs for appraisal requirements. The RFQ shall provide prospective offerors with sufficient information to prepare a responsive price quote and to provide any other information necessary to conduct an evaluation of the offer/offeror. This includes but is not limited to a complete property identification, work/technical requirements, appraisal due date, contractor qualifications, identification of key appraiser and certification form, and any special instructions or supplements to the Statement of Work.

9. Offer/Proposal Evaluation and Award.

- a. Evaluation. The Contracting Officer shall be responsible for making the award decision. When technical evaluation criteria are not required, the award decision shall be made on the basis of price alone, after confirming the delivery schedule, and that the successful offeror has the following qualifications/certifications as identified in the solicitation:
 - (1) currently licensed/certified by the appropriate State government agency;
 - (2) minimum of three (3) years of real estate appraisal experience;
 - (3) at least one (1) year of experience appraising the particular asset type in the market/geographic location as the current requirement; and
 - (4) no disqualifying conditions in NCS (Eligibility Representations and Certifications are not required for awards less than \$25,000).
- b. Technical Evaluation Official. If it is necessary to use technical evaluation criteria to evaluate appraiser qualifications beyond those stated in paragraph 9.a., the Program Office requiring the appraisal shall select a knowledgeable representative to serve as the Technical Evaluation Official (TEO). The TEO shall be responsible for conducting the evaluation of the appraiser technical proposals following the policies and procedures stated in APM 5.E.

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- c. Award. The Contracting Officer shall prepare a purchase order for all appraisal requirements. At the discretion of the Contracting Officer, a Short Form or full Contract may be used for complex and/or high volume of assets. The Account Officer shall be notified immediately upon award and provided with a copy of the purchase order.

10. Contract Administration.

- a. General. Contract administration for appraisal requirements shall generally follow the policies and procedures stated in APM 7.C., *Simplified Contract Administration*, emphasizing quality, timely delivery and approval or rejection of the appraisal, invoice review/payment in accordance with the contract and expenditure ceiling, proper file documentation and closeout.
- b. Delivery. All appraisals shall be initially provided to the Contracting Officer to record the timeliness of the delivery in accordance with the terms of the contract. After receipt has been documented, the Contracting Officer shall provide the appraisal to the Account Officer for review and approval.
- c. Inspection and Acceptance. The Account Officer shall perform a timely review of the appraisal and notify the Contracting Officer upon acceptance. If the appraisal is not acceptable, the Account Officer shall document the rationale for the rejection and return the appraisal to the Contracting Officer. Appraisal Review will be used to support the inspection and acceptance of an appraisal when requested by the Account Officer. The Contracting Officer shall return the appraisal to the contractor for correction with instructions for re-submission. Cure notice and termination procedures shall be subject to the procedures on the Purchase Order.
- d. Invoicing. The Contracting Officer shall receive all invoices submitted under appraisal contracts. After a review confirming it is in accordance with the terms and conditions of the contract, the Contracting Officer shall provide the invoice to the Account Officer for approval. No invoice shall be paid prior to approval of the appraisal. If the invoice is approved, it shall be provided directly to Accounts Payable for payment. If the invoice is not approved or is incorrect, the Account Officer shall return it to the Contracting Officer with written rationale for its rejection.
- e. Performance Evaluation. The Account Officer is strongly encouraged to complete a written evaluation of the contractor's performance using the Contractor Performance Evaluation Form (See APM 7.G.4.).

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11. Effective Date. This Policy Memorandum is effective immediately.
12. Contacts. If you have any questions regarding this Policy Memorandum, please contact David McDermott on (202) 942-3434.

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